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House Bill 5086: Police Services / PPT Reimbursement Issue

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The City of Rochester Hills has been negatively impacted financially due to the formula used to calculate the Personal Property Tax reimbursement; specifically due to the legislation which utilizes the lowest individual millage rate levied since 2012 in its calculation. The City feels this negative financial impact was not the intent of Public Act 84, and is eager to find a solution to restore an estimated \$43,000 of annual Police Services funding, as well as \$27,000 in TIF funding.

Prior to 2015, the City of Rochester Hills funded Police Services primarily through two (2) small Police millages and a substantial General Fund subsidy required to balance Police Services expenditures.

1. Police I = 0.7823 mill / \$2.3M
2. Police II = 0.4260 mil / \$1.2M
3. General Fund Subsidy / \$4.7M

In FY 2015 the City of Rochester Hills, through voter approval, started to restructure Police Services funding differently. The two (2) expiring Police I & Police II millages were renewed and combined into a new Police I millage at 1.2083 mill [= 0.7823 mill + 0.4260 mill].

As well, a new Police II millage was approved by voters with the intent of providing a dedicated source of Special Police funding and thereby eliminating the need for a General Fund subsidy (which is non-dedicated).

Per a Letter of Intent resolved by the Rochester Hills City Council, the millage levy approved by the new Police II millage is to be offset by an equal millage reduction to the City General millage levy in order to maintain the same bottom line millage rate for the City.

After the millage rate restructuring in FY 2015, the City of Rochester Hills now funds Police Services as follows:

1. Police I = 1.2083 mill / \$3.6M
2. Police II = 1.6585 mill / \$5.0M
3. General Fund Subsidy / \$0
 - Please note that for FY 2015, the General Fund levy was decreased to 1.9636 mill [= 3.6222 mill (2014) – 1.6585 mill]

The total costs of providing Police Services did not significantly change, simply the funding structure to provide for that essential City service. This revised millage restructuring was overwhelmingly approved by the voters of Rochester Hills to provide greater transparency, accountability, and to dedicate funding expressly for Police Services.

Unfortunately for the City, this restructuring has had negative financial implications due to the Personal Property Tax reimbursement calculation formula which was unforeseeable at the time the restructuring was proposed to City voters in 2012. Per the existing legislation, existing police millages are “locked in” at their pre-renewed levels = 1.2083 mill. However, the newly established Police II millage in 2015 (+1.6585) is not considered or calculated in the formula as it was not in place in FY 2012. As well, the decreased level of the City’s General levy (reduced by -1.6585 in 2015) is calculated at the new lower millage rate level.

Due to the millage rate limitations and timeframe as defined in the Public Act 86 Local Community Stabilization Act (LCSA) calculation formula, it is estimated that the City of Rochester Hills is annually losing \$43,000 in Personal Property Tax reimbursement revenue which would be directed exclusively towards Police Services funding, as well as \$27,000 in TIF funding. The City feels this negative financial impact to essential Police Services was not the intent of Public Act 84.

The language included in House Bill 5086 would address this millage timing issue for the City of Rochester Hills by allowing a municipality’s calculation rate to be as reported in its Comprehensive Annual Financial Report (CAFR) for fiscal years ending in 2015.